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**Rural Business Investment Company (RBIC) Program  
Program Announcement  
(June 2004)**

**RURAL BUSINESS INVESTMENT COMPANY PROGRAM  
INVESTMENT DIVISION  
U. S. SMALL BUSINESS ADMINISTRATION**

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<b>Application Receipt and Tracking .....</b>	<b>3</b>
Receipt of Applications.....	3
Timely Receipt .....	3
<b>Screening for Timeliness, Eligibility, and Completeness.....</b>	<b>4</b>
Timeliness .....	4
Completeness .....	4
Eligibility .....	4
<b>Initial Review Process .....</b>	<b>5</b>
Rejected Applications.....	5
Applications Passing Screening and Initial Review .....	5
<b>Review Panel Process .....</b>	<b>6</b>
Reviewing and Evaluating Applications.....	6
Scoring for RBIC Applications .....	7
<b>Portfolio Committee Process.....</b>	<b>8</b>
Review and Selection Process.....	8
Selection for Interview .....	8
<b>Interview Process .....</b>	<b>8</b>
Structure for RBIC Applicant Interviews .....	9
Interview Scoring.....	9
Portfolio Committee Selection of Recommended Portfolio.....	9
<b>Selection.....</b>	<b>10</b>
<b>Licensing as a RBIC .....</b>	<b>10</b>
Legal and Other Documentation .....	10
Capital Requirements.....	11
Terms of OA Grant Budget.....	11
Licensing.....	11
<b>Miscellaneous .....</b>	<b>12</b>
Conflict of Interest Policy.....	12

## ***APPLICATION RECEIPT AND TRACKING***

The deadline for receipt of applications for newly formed venture capital companies seeking a license as a Rural Business Investment Company (RBIC) and an Operational Assistance (OA) grant, is 4:00pm on September 17, 2004, as stated in a Notice of Funds Availability (NOFA) published in the Federal Register on June 8, 2004 (Volume 69, Number 110, Pages 32230-32231).

### **Receipt of Applications**

In order for an application to be considered, the Associate Administrator for Investment (AA/I), U. S. Small Business Administration (SBA), or specific individuals designated by him, personally must receive the application by the deadline date and time. Each application will be date and time stamped by the AA/I or his designee on the cover page of the application, upon receipt of that application.

SBA will not consider an application delivered by courier or other express delivery service to SBA's mailroom on the Washington Office Center (WOC) concourse level, SBA's information/reception desk on the first floor, or to WOC's security desk on the first floor, to be timely filed, unless the application subsequently is received by the AA/I or his designee personally by the deadline date and time. SBA will not consider postmarks or other indications of mailing or filing to be adequate evidence of timely filing. Receipt of an application by the AA/I or his designee personally is required and the only acceptable evidence of such personal receipt is the AA/I's or his designee's date and time stamp and initials on the application.

SBA will not return deficient applications or provide guidance on application submissions that are received before the deadline date. Applicants will not receive priority or preference for early application submissions.

### **Timely Receipt**

Circumstances that SBA will consider to NOT constitute timely receipt of an application include, but are not limited to, the following examples:

1. Application received by SBA's mailroom on the deadline date but not received personally by the AA/I or his designee by the deadline date and at or before the specified time.
2. Application delivered by courier to SBA's WOC, left with a SBA representative at the information/reception desk on the first floor, but the AA/I or his designee does not receive personally the application by the deadline date and at or before the specified time.
3. Application post-marked by deadline date, but not received personally by the AA/I or his designee by the deadline date and at or before the specified time.

## **SCREENING FOR TIMELINESS, ELIGIBILITY, AND COMPLETENESS**

All applications will be screened. At this stage, SBA staff will review all applications for timely receipt, completeness, and eligibility, but will not review applications for substance or quality. Screening may begin before the application submission deadline on those applications submitted before the deadline, but SBA will take no final action on any application until after the application submission deadline has passed.

**Timeliness.** SBA will deem applications received by the AA/I or his designee after the date and time set forth in the NOFA to be untimely and SBA will not process such applications.

**Completeness.** All applications must contain at least the following in order for SBA to consider them complete:

- a) Signature of authorized representative.
  - Declaration of Applicant in SBA Form 2241, RBIC Application, Part I, Management Assessment Questionnaire (MAQ)
- b) Application package containing the following documentation:
  - SBA Form 2241, RBIC Application, Part I, Management Assessment Questionnaire (MAQ) ([www.sba.gov/INV/RBIP](http://www.sba.gov/INV/RBIP))
  - SBA Form 2242, RBIC Application, Part II, Exhibits ([www.sba.gov/INV/RBIP](http://www.sba.gov/INV/RBIP))
  - All required fingerprint cards as described in Exhibit B, SBA Form 2242, RBIC Application, Part II, Exhibits
- c) The \$5,000 grant issuance fee in the form of a check drawn on a member bank of the Federal Reserve and payable to SBA with the name of the applicant clearly indicated on the front of the check.
- d) Copies of the application package in the following formats:
  - 2 bound, hard copies of the application package,
  - 1 unbound hard copy suitable for photo copying, and
  - 1 electronic copy (on 3 ½" diskette or CD Rom)

**Eligibility.** RBIC applicants must present information pertaining to the following specific criteria in order for SBA to consider them eligible (relevant portions of the regulations and where they are addressed in the application package are referenced):

- a) *Newly formed entity (formed after May 13, 2002) (7 CFR 4290.100) -- SBA Form 2241, RBIC Application, Part I, MAQ, Q 110 and/or 501*

- b) *For-profit entity* (7 CFR 4290.100) -- SBA Form 2241, RBIC Application, Part I, MAQ, Q 110 and/or 501
- c) *Management team identified* (7 CFR 4290.110) -- SBA Form 2241, RBIC Application, Part I, MAQ, Q 105 and/or Q 502; SBA Form 2242, RBIC Application, Part II, Exhibits, Exhibit B
- d) *Plan to invest in Rural Areas* (7 CFR 4290.120) -- SBA Form 2241, RBIC Application, Part I, MAQ, Q 103; SBA Form 2242, RBIC Application, Part II, Exhibits, Exhibit Q (if organizational documents submitted with initial application)
- e) *Specific Rural Areas identified* (7 CFR 4290.130) -- SBA Form 2241, RBIC Application, Part I, MAQ, Q 201; SBA Form 2242, RBIC Application, Part II, Exhibits, Exhibit W

### **INITIAL REVIEW PROCESS**

Offices within SBA will perform various aspects of the initial review process on all RBIC applicants that pass the screening for timeliness, eligibility, and completeness.

SBA staff will review a number of areas, including but not limited to qualifications of the applicant's management team, general business reputation of the Applicant's owners and managers, legal sufficiency, and eligibility. SBA will perform and consider background investigations of individuals and entities comprising the applicant's management team.

The initial review process will result in a "qualified," "not qualified," or "qualified with reservations" recommendation. SBA will perform a second level review of all applications receiving a "not qualified" recommendation. SBA will set aside and not further process any applications with a "not qualified" recommendation after this second level review.

#### **Rejected Applications**

After the screening and initial review processes have been completed for all applications, on January 28, 2005, or as soon thereafter as practical, SBA will send a written notice by mail and e-mail to each rejected applicant advising that its application has been declined and that SBA will not further process its application, providing a brief explanation of the basis for the decline application.

#### **Applications Passing Screening and Initial Review**

After the screening and initial review processes have been completed for all applications, on January 28, 2005, or as soon thereafter as practical, SBA will send a written notice by mail and e-mail to all applicants passing the screening

and initial review processes. This notification will advise them that they have passed the screening and initial review and will be further processed and refer them to SBA's web site for announcements and updates regarding the RBIC program.

## ***REVIEW PANEL PROCESS***

USDA/SBA will convene Review Panels to review, evaluate, and score all RBIC applications that pass the screening and initial review processes. USDA/SBA will convene as many Review Panels of qualified, experienced USDA and SBA employees as necessary to handle such applications.

### **Reviewing and Evaluating Applications**

Each Review Panel reader will independently read, evaluate, and score each application assigned to his or her Review Panel. After each reader has read all the applications assigned to his or her Review Panel and made a preliminary evaluation, the Leader of the Review Panel will convene a meeting for the purpose of discussing and/or clarifying issues raised in the applications and discussing each member's proposed scores.

After the discussion, each reader will arrive at his or her own scores for each application. All three readers of an application are not required or expected to arrive at the same score for each evaluation criteria and/or category. However, readers whose scores are significantly different from those of any other reader must note the reasons for the divergence.

## **Scoring for RBIC Applications**

For each application for RBIC license, readers must award points on nine separate criteria, which are grouped into three broad categories.

<i>Evaluation Criteria</i>	<i>Maximum Points Possible</i>
<b>Category I: Investment</b>	<b>40</b>
Criterion 1: Investment capacity, skills and experience of Applicant's management team	20
Criterion 2: Strength and depth of Applicant's operations and investment strategies	10
Criterion 3: Applicant's understanding of markets in designated Rural Areas	10
<b>Category II: Economic Development</b>	<b>40</b>
Criterion 4: Economic development capacity, skills and experience of Applicant's management team	20
Criterion 5: The need for Developmental Venture Capital investments in Smaller Enterprises located in Rural Areas designated by Applicant	10
Criterion 6: Extent to which Applicant intends to concentrate its resources and activities in Smaller Enterprises and Small Business Concerns, as opposed to other Enterprises.	10
<b>Category III: Capability to Execute Plans</b>	<b>20</b>
Criterion 7: Probability that Applicant will successfully raise Regulatory Capital	10
Criterion 8: Probability and extent that Applicant's planned activities will have the Applicant's projected economic development impact on designated Rural Areas.	5
Criterion 9: Probability and extent that Applicant will operate soundly and profitably, and be economically viable over the long-term.	5
<b>TOTAL</b>	<b>100</b>

## **PORTFOLIO COMMITTEE PROCESS**

The Portfolio Committee is comprised of both USDA and SBA managers and senior staff. It will receive all RBIC applications that have gone through the initial review process and received either a "qualified" recommendation or a "qualified with reservations" recommendation, and that have been read and scored by a Review Panel. For these applications, the Portfolio Committee will compile and consider information received from the initial review process, from the scoring done by the Review Panels, and from interviews conducted by the Portfolio Committee. It will create a "Recommended Portfolio" of RBIC applicants that meets USDA's and SBA's regulatory requirement to promote nationwide geographic distribution of investments under the program and fulfill the rural development goals of the program.

### **Review and selection process**

After the Review Panel process has been completed, the Portfolio Committee will assemble a list of all of the RBIC applicants forwarded to the Committee, arranged in descending order, from highest to lowest, by aggregate score from the Review Panels (maximum 300 points). The Portfolio Committee will set aside those applications that received an aggregate score of less than 150 points. These applications will receive no further consideration unless the Portfolio Committee determines that it is in the best interests of the RBIC program to do so.

### **Selection for Interview**

Starting at the top of the list described above and working its way down, the Portfolio Committee will select applicants for interviews until it reaches the point at which the selected applicants' aggregate funding requests (based on the proposed amounts of Regulatory Capital stated in the applicant's application) are equal to approximately up to 200% ( $\pm 10\%$ ) of USDA's/SBA's available debenture authority. The Portfolio Committee will not interview those applicants falling below this cut-off point.

## **INTERVIEW PROCESS**

The Portfolio Committee anticipates conducting all interviews during a three-week period, from April 1 to April 22, 2005, or as soon thereafter as practical, in SBA's offices in Washington, DC. USDA/SBA expects all principals to participate in the interview. Applicants may request that specific principals not participate based on hardship. SBA may grant such requests in its sole discretion. An applicant may have its attorney(s) accompany it to the interview, but only a member of an applicant's management team may speak on behalf of the applicant during the interview. USDA/SBA representatives may ask questions of the applicant's representatives at any time during the interview.

During the interview, USDA/SBA expects the RBIC program applicant to address how the applicant proposes to fulfill the objectives of the RBIC program. USDA/SBA will ask each applicant some or all of the questions found in the Rural Business Investment Program Applicants Interview Questions (SBA Form 2243) ([www.sba.gov/INV/RBIP](http://www.sba.gov/INV/RBIP)). The time period for the interview will be up to ninety (90) minutes.

### **Structure for RBIC Applicant Interviews**

- (1) Maximum of 30 minutes for an oral presentation by the applicant's management team to introduce the principals, outline the applicant's proposed investment and operational assistance strategy, and explain how the applicant will execute that strategy.
- (2) Maximum of 60 minutes for questions by USDA/SBA representatives to clarify any aspect of the applicant's oral presentation or its written application.

### **Interview Scoring**

Immediately following the RBIC program applicant's interview, the Portfolio Committee will discuss the applicant's presentation and responses to the Committee's questions. The Portfolio Committee will reach a consensus and, as a Committee, will rate the applicant in 10 areas, using a 10-point scale valued at plus or minus 10 points for each area. The Committee's total score for each applicant will range from plus 100 to minus 100 points. The 10 scoring areas are:

1. Individual principals.
2. Investment strategy.
3. Knowledge of and connections to targeted Rural Areas.
4. Deal flow/generation.
5. Deal review process.
6. Development of the investment transaction.
7. Post-investment relationships with portfolio company management.
8. Exiting investments and covering financing costs.
9. Use of operational assistance grant.
10. Raising capital resources.

The Portfolio Committee will combine each applicant's interview score with that applicant's Review Panel aggregate score to establish a final score. The Portfolio Committee will generate a new list arranging the applicants in descending order from highest to lowest score based on their final scores.

### **Portfolio Committee Selection of Recommended Portfolio**

The Portfolio Committee will use the final score list to create a "Recommended Portfolio" of RBIC applicants. The Portfolio Committee will select for the Recommended Portfolio the highest ranked, best qualified applicants so

as to achieve the greatest impact of the program nationwide, within the limits of available program authority (funding).

Starting at the top of the final scores list and working its way down, the Portfolio Committee will consider the applications together with the recommendations and reservations expressed by staff through the initial review process. The Portfolio Committee may decide to set applications aside from further consideration, in favor of an application with a lower score, if the Portfolio Committee determines that the reservations or issues arising from the initial review process so warrant, or if the selection of an applicant would prevent the RBIC program from achieving nationwide geographic distribution of investments.

In identifying applications for inclusion in the Portfolio Committee's Recommended Portfolio, it will select only the number of applications needed to reach 167% of the amount of funding remaining available for the RBIC program (using the amounts of Regulatory Capital stated in the applicant's application). USDA/SBA will make no adjustment or modification of such amounts in the selection process.

The Portfolio Committee then will present its Recommended Portfolio to the final decision-making officials within both USDA and SBA for final selection.

## ***SELECTION***

The AA/I will send written notification, on May 30, 2005, or as soon thereafter as practical, to all selected applicants, informing them of their selection and setting forth specific deadlines and general conditions regarding their requirements to raise capital resources, complete legal documentation, and comply with any additional administrative requirements, as applicable. The AA/I will also have a conference call on June 2, 2005, or as soon thereafter as practical, with all selected applicants, to discuss the remaining steps in the process to achieve licensure. Submission requirements and deadlines will be discussed and time will be allowed for questions and answers.

The AA/I also will send written notification on May 30, 2005, or as soon thereafter as practical, to all unsuccessful applicants, advising that their applications were not selected.

## ***LICENSING AS A RBIC***

### **Legal and Other Documentation**

Selected applicants must finalize and submit to SBA for review and clearance all of their remaining required legal documentation by no later than

4:00 p.m. on the date that is twelve months from the date of notification by SBA/USDA that they have been selected. This includes but is not limited to the documentation described in the following exhibits to SBA Form 2242, RBIC Application, Part II, Exhibits:

- Exhibit Q (Organizational Documents of RBIC Applicant)
- Exhibit R (Opinion of Counsel)
- Exhibit S (Management Contract)
- Exhibit T (Bank Letter); and
- Exhibit V (Request for Approval of Organizational and Management Expenses)

The same timeliness and receipt policies and procedures governing the initial application submission will also apply to the submission of this package. SBA will not further process applicants failing to timely submit this package.

SBA's Office of General Counsel will review each applicant's legal documentation, and will work directly with legal or other designated representatives of the applicant to finalize such documentation in a form acceptable to SBA.

### **Capital Requirements**

By no later than 4:00 p.m. on the date that is twelve months from the date of notification by SBA/USDA that they have been selected, applicants must submit to SBA evidence documenting that they have raised the required amount of Regulatory and Leverageable Capital. The same timeliness and receipt policies and procedures governing the initial application submission also apply to the submission of this package. SBA will not further process applicants failing to timely submit this package.

SBA will review for acceptability and compliance with regulatory requirements, the documentation of capital submitted by applicants.

### **Terms of OA Grant Budget**

SBA's Office of Procurement and Grants Management will negotiate with RBICs the budget terms of their grant award. The budget terms of the grant awards will be finalized by September 30, 2006, or as soon thereafter as practical.

### **Licensing**

USDA/SBA will take final action on all applications by November 30, 2006, or as soon thereafter as practical, and will send written notice by mail and e-mail to all licensed RBICs advising them that they have been licensed.

## **MISCELLANEOUS**

### **Conflict of Interest Policy**

All USDA/SBA employees participating in any way in reviewing, evaluating, or selecting applications for RBIC designation and for OA grants are bound by USDA's and SBA's conflicts of interest regulations (respectively, 7 CFR Part 1900 and by 13 CFR Part 105) and the Uniform Standards for Ethical Conduct for Executive Branch employees, 5 CFR Part 2635. These rules generally prohibit an employee from taking any official action with regard to any applicant that may have an effect on the employee's personal or financial interests.

USDA and SBA employees are obligated to immediately disclose to and seek advice from the appropriate USDA and SBA ethics official if any application being considered by that employee presents a situation that the employee believes constitutes an actual or potential conflict of interest. An employee also may request to be recused from taking any action with regard to an application when, for whatever reason, the employee believes he or she is unable to be impartial, objective, and fair.